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PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

Revised estimates: effect of changes in rates of exchange and inflation

Report of the Secretary-General

SUMMARY

Prior to the adoption of an initial appropriation, the initial estimates in the proposed programme budget are recosted to reflect new costing assumptions, which involve revised exchange and inflation rates as well as the financial implications of those recommendations of the International Civil Service Commission (ICSC) to be considered by the General Assembly. A comparison between the 1994-1995 revised appropriation and the proposed programme budget for the biennium 1996-1997 after recosting, in millions of United States dollars, is as follows:

	1994-1995	1996-1997	Difference
Expenditure sections	2 608.3	2 827.8	219.5
Income sections	432.1	479.3	47.2
Net	2 176.2	2 348.5	172.3

The difference in terms of dollars between the two bienniums is a net increase of $172.3 million, or 7.9 per cent, compared to 1994-1995. The above-mentioned increase can be broken down, in millions of dollars, as follows:

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Increase	
Exchange rate differences	111.9
Inflation	154.9
Recommendations of ICSC	50.8
Subtotal	317.6
Decrease	
Changes in the proposed programme budget	98.1
Increase in income	47.2
Subtotal	145.3
Net total	172.3

Detailed explanations regarding exchange rates, inflation and recommendations of ICSC are provided in the present report.

I. INTRODUCTION

1. To provide a comparable basis to analyse increases and decreases in a programme from one biennium to another, the proposed programme budget is presented at the same price levels and the same rates of exchange as the current programme budget. At the same time, the proposed programme budget contains provisions for anticipated increases due to inflation and for adjustments due to changes in the rates of exchange. These are isolated and presented separately in the column "recosting" in the proposed programme budget. After preparing the proposed programme budget, the programme budget is "recosted" three times in the biennial cycle:

(a) The first recosting is contained in the revised estimates submitted by the Secretary-General for consideration by the General Assembly in order to update the resource requirements in the proposed programme budget before an initial appropriation is approved;

(b) The second is contained in the revised estimates submitted by the Secretary-General in the first performance report in connection with approval of a revised appropriation;

(c) The third is included in the second performance report in connection with approval of the final appropriation.

II. RECOSTING FACTORS

2. The present report pertains to the first recosting. In paragraph 7 of the introduction to the proposed programme budget for the biennium 1996-1997, 1/ it was indicated that the information expected to be available in December 1995 concerning exchange and inflation rates, salary surveys, and cost of living would be included in the recosting to be executed at that stage. Owing to the timing of the present report, the recosting is based on information available up to November 1995.

3. In paragraph 26 of the statement of financial implications submitted by the Secretary-General to the Fifth Committee in respect of the recommendations of the International Civil Service Commission (ICSC) (A/C.5/50/24 and Corr.1), it was also indicated that the related additional costs for the biennium 1996-1997 would be included in the context of the recosting prior to the adoption of the initial appropriation by the Assembly.

4. Annex I to the present report contains information on exchange rates, inflation, post adjustment multipliers, cost-of-living for General Service staff and rates of common staff costs. The revised recosting factors in annex I, which are proposed for adoption, are compared to the assumptions in the proposed programme budget for the biennium 1996-1997.

5. The United Nations operational rates of exchange are used for the recosting of the budget. Given the volatility of currency markets, no attempt is made to forecast exchange rates. The practice in the past has been to assume that the

operational rates in force at the time of the recosting would remain constant throughout the subsequent years. At the present time, following a recommendation of the External Auditors, the average rates calculated for 1995, instead of the latest rates, have been used. In respect of the Swiss franc, both the latest rate and the average rate are the same.

6. Inflation relates to increases in prices of goods and services and to cost-of-living increases in respect of salaries. With regard to the price of goods and services, the assumptions for inflation are based on an analysis of the movement of the consumer price index at the different duty stations. With regard to General Service staff, probable increases in salaries are included, taking account of the anticipated movement of consumer price indices and the outcome of comprehensive salary surveys. For example, in the light of the recently concluded salary survey in Geneva, no increase is now anticipated for 1996 or 1997. On the other hand, the increase resulting from the salary survey of September 1994 in New York leads to revised projections for that duty station.

7. In the case of the Professional category, the base salaries are not affected by exchange rates as they are denominated in dollars. The post adjustment component is designed to respond to changes in the cost-of-living and exchange rates. With regard to cost-of-living changes, the movement in the post adjustment has been estimated on the basis of anticipated consumer price indices in 1996-1997. Annex I.B provides details of the anticipated movement of post adjustment by duty station.

8. With regard to base salaries, they are derived from an analysis of monthly payroll data by grade for each duty station. Adjustments are made at each recosting to incorporate the latest trends. For 1996-1997, the changes proposed are detailed by duty station (see para. 12).

III. SECTIONS OF EXPENDITURE: SUMMARY ESTIMATES

9. The table below summarizes, in millions of United States dollars, the results of recosting the resource requirements of the sections of expenditure in the proposed programme budget, using the new rates of exchange and inflation recommended in the present report. Annex II contains a listing by section of expenditure.

Revised appropriation 1994-1995	Changes at 1994-1995 prices	Recosting			ICSC recommendation	Total
		Currency	Inflation	Subtotal		
2 608.3	(98.1)	111.9	154.9	266.8	50.8	2 827.8
100%	(3.7%)	4.3%	5.9%	10.2%	1.9%	108.4%

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10. The difference between the proposed programme budget and the present recosting is as follows:

	Exchange	Inflation	Subtotal	ICSC recommend-ation	Total
	(In millions of United States dollars)				
Proposed programme budget	20.9	156.0	176.9	-	176.9
Revised estimates	91.0	(1.1)	89.9	-	89.9
Financial implications of ICSC	-	-	-	50.8	50.8
Total increase	111.9	154.9	266.8	50.8	317.6

11. The estimates for 1996 and 1997 in the proposed programme budget were initially calculated using the rates assumed in the revised 1994-1995 appropriation for the years 1994 and 1995. The adjustment of $20.9 million under recosting in the proposed programme budget was needed to convert the first year provision from 1994 exchange rates to 1995 exchange rates. The adjustment required to bring the resources for both years proposed in the programme budget from the December 1994 rates, e.g., 1.32 Swiss francs to one United States dollar, to the average rates experienced in 1995, e.g., 1.18 Swiss francs to one United States dollar, amount to $91.0 million. For a comparison of the rates assumed in the proposed programme budget and those assumed in the present report, see annex I.A. The breakdown of the requirements by duty station is as follows:

	Proposed programme budget	The present report	Total
	(In millions of United States dollars)		
Geneva	12.8	84.1	96.9
Vienna	3.0	12.6	15.6
The Hague	0.3	1.3	1.6
Bangkok	0.2	0.4	0.6
Nairobi	3.1	(2.3)	0.7
Mexico	(0.1)	(4.2)	(4.3)
Addis Ababa	(0.8)	(0.4)	(1.2)
Santiago	2.5	(0.4)	2.1
Total	20.9	91.0	111.9

12. The revised total for inflation, after adjustments for variances in the cost of base salaries, is as follows:

	Proposed programme budget	The present report	Total
	(In millions of United States dollars)		
New York	72.1	15.5	87.6
Geneva	30.6	(29.6)	1.0
Vienna	11.5	0.3	11.8
Addis Ababa	10.2	9.6	19.8
Santiago	11.2	2.3	13.5
Nairobi	3.6	(2.6)	1.0
Bangkok	7.8	(1.1)	6.7
Amman	3.6	(0.1)	3.5
Others	5.4	4.8	10.2
Total	156.0	(1.1)	154.9

13. The reduction of $1.1 million includes a reduction of $6.6 million, which represents a revision to base salaries based on the actual average observed in 1995, and an increase of $5.5 million for inflation based on the difference between the assumptions in the present report and those in the proposed programme budget. The breakdown by duty station is as follows:

	Actual 1995 average cost of posts	Inflation	Total
	(In millions of United States dollars)		
New York	5.5	9.8	15.5
Geneva	(19.6)	(10.2)	(29.6)
Vienna	0.8	(0.5)	0.3
Addis Ababa	8.0	1.6	9.6
Santiago	1.7	0.6	2.3
Nairobi	(2.8)	0.2	(2.6)
Bangkok	(2.0)	0.9	(1.1)
Amman	(0.7)	0.6	(0.1)
Others	2.5	2.3	4.8
Total	(6.6)	5.5	(1.1)

14. The increase calculated in respect of the ICSC recommendations reflects the cost to the regular budget of adopting the recommendations in the report of the Commission on the proposed staffing table for the Organization. The increase of $50,843,800 is broken down by duty station as follows:

	Millions of United States dollars
New York	28.5
Geneva	8.7
Addis Ababa	3.1
Vienna	2.4
Bangkok	2.4
Santiago	2.0
Amman	1.5
Nairobi	1.0
Others	1.3
	50.8

IV. INCOME SECTIONS: SUMMARY ESTIMATES

15. The same budget factors that are applied to the sections of expenditure are also applied to the income sections. The revised estimates for the income sections are summarized below:

Section	Proposed programme budget	Revised estimates	Increase (Decrease)
	(In thousands of United States dollars)		
IS1. Income from staff assessment	373 60%.0	392 179.1	18 572.1
IS2. General income	81 832.4	86 209.2	4 376.8
IS3. Services to the public	5 982.0	886.5	(5 095.5)
Total	461 421.4	479 274.8	17 853.4

V. SUMMARY

16. The major elements in the present report involve changes in the budget assumptions as follows:

(a) Rates of exchange. To replace the projected 1995 exchange rates by the actual averages of the 1995 operational rates shown in annex I.A, as recommended by the Board of Auditors;

(b) Inflation. To revise inflation assumptions for post adjustment, cost-of-living adjustments for General Service staff and general rates of inflation by the parameters indicated in annex I.A, B and C.

17. The actual amount to be included in the initial appropriation in respect of the recommendations of ICSC will depend on the decision of the Assembly.

18. Owing to the timing of the present report, the decisions of the Assembly on the proposals of the Secretary-General in the proposed programme budget and statements of programme budget implications and the revised estimates for the biennium 1996-1997 will be subject to adjustment when the Fifth Committee takes up the second reading of the proposed programme budget for 1996-1997.

Notes

1/ Official Records of the General Assembly, Fiftieth Session, Supplement No. 6 (A/50/6/Rev.1), vol. I.

Annex I

Rates of exchange and average annual rates of inflation, post adjustment multipliers and cost-of-living adjustments, for 1996-1997, and rates of common staff costs as a percentage of net salaries for 1994-1995 and 1996-1997, by main duty station

A. Rates of exchange, 1996-1997, and average annual rates of inflation

Main duty station (currency)	Rates of exchange 1996-1997		Average annual rates of inflation (percentage)			
			Proposed programme budget		In the present report	
	Proposed programme budget	In the present report a/	1995	1996-1997	1995	1996-1997
New York (United States dollars)	-	-	2.4	2.4	2.4	2.4
Geneva (Swiss francs)	1.32	1.18	1.6	1.6	1.6	2.0
Vienna (Austrian schillings)	10.90	10.01	3.1	3.1	3.1	2.6
The Hague (Netherlands guilders)	1.75	1.60	2.3	2.3	2.3	2.0
Bangkok (Thai bahts)	25.00	24.88	6.0	6.0	6.0	5.1
Santiago (Chilean pesos)	390.00	392.58	10.0	7.0	10.0	7.7
Mexico City (Mexican pesos)	3.35	5.93	6.6	5.0	5.0	5.0
Addis Ababa (Ethiopian birr)	6.25	6.29	5.0	5.0	9.6	5.0
Nairobi (Kenyan schillings)	47.00	50.46	10.0	10.0	10.0	10.0
Port-of-Spain (Trinidad and Tobago dollars)	5.77	5.79	8.0	8.0	8.0	5.0
Amman (Jordanian dinars)	0.70	0.70	3.4	3.4	3.4	3.4
Gaza (Israel) (new shekels)	3.00	2.99	10.0	10.0	5.0	5.0
UNTSO (Israel) (new shekels)	3.00	2.99	10.0	10.0	10.0	10.0
UNMOGIP (India) (rupees)	31.20	31.96	8.4	8.4	8.4	8.4
United Nations information centres b/	-	-	5.0	5.0	5.0	5.0

a/ Average 1995 rates of exchange with actuals through November.

b/ Combined effect of inflation and exchange rate changes.

B. Post adjustment multipliers for 1995-1997, by main duty station

	Average post adjustment multiplier							
	Proposed programme budget			Revised estimates		ICSC recommendations		
Main duty station	1995	1996	1997	1996	1997	1995	1996	1997
New York	139.0	141.2	144.2	147.1	150.3	140.0	149.9	156.1
Geneva	183.8	185.8	186.6	203.2	204.2	203.8	203.2	204.2
Vienna	162.0	166.0	170.6	177.8	182.4	174.9	178.7	184.8
The Hague	140.1	143.0	146.0	159.2	164.4	153.0	159.9	166.5
Bangkok	126.9	130.8	135.9	136.3	141.1	128.3	137.7	145.0
Santiago	132.3	140.3	149.1	145.6	153.0	135.6	147.1	157.3
Mexico City	132.6	135.6	139.5	136.2	144.7	129.3	138.9	147.0
Addis Ababa	110.6	114.1	118.5	136.2	143.6	124.6	139.0	145.9
Nairobi	151.6	152.5	154.2	126.6	133.2	138.8	127.5	135.9
Port-of-Spain	117.9	122.6	129.3	129.3	133.1	121.7	130.4	136.3
Amman	113.9	115.5	118.0	118.0	120.6	114.4	119.2	123.4
Gaza	128.6	135.0	140.8	135.6	141.5	130.9	136.5	143.9
UNTSO (Israel)	130.5	135.0	140.8	135.6	141.5	130.9	136.5	143.9
UNMOGIP (India)	116.3	121.1	127.0	128.6	134.7	120.2	129.5	137.5
United Nations information centres	135.3	141.3	148.2	141.3	148.2	135.3	141.3	148.2

C. Cost-of-living adjustments for 1995-1997, by main duty station

Main duty station	Proposed programme budget			In the present report		
	1995	1996	1997	1995	1996	1997
New York	0.8	0.8	0.8	3.6	2.4	2.4
Geneva	1.6	1.6	1.6	0.0	0.0	0.0
Vienna	3.5	3.5	3.5	3.0	2.6	2.6
The Hague	1.9	1.9	1.9	1.9	1.9	2.0
Bangkok	4.3	4.3	4.3	4.7	5.1	5.1
Santiago	7.0	7.0	7.0	9.3	9.9	7.5
Mexico City	7.0	5.0	5.0	35.0	10.9	9.1
Addis Ababa	6.0	6.0	6.0	8.3	9.3	7.5
Nairobi	10.0	10.0	5.0	12.5	7.7	7.5
Port-of-Spain	8.5	8.5	8.5	6.2	5.0	5.0
Amman	5.0	5.0	5.0	4.6	3.4	3.4
Gaza	5.0	5.0	5.0	11.2	7.5	5.0
UNTSO (Israel)	10.0	10.0	10.0	11.2	7.5	5.0
UNMOGIP (India)	10.0	10.0	10.0	31.6	8.5	5.0
United Nations information centres	10.0	5.0	5.0	5.0	5.0	5.0

D. Rates of common staff costs as a percentage of net salaries for 1994-1995 and 1996-1997, by main duty station

	1994	1995	1996	1997
New York	40.7	40.1	40.1	40.1
Geneva	31.8	32.0	32.0	32.0
Vienna	35.2	36.3	36.3	36.3
The Hague	32.9	33.4	33.4	33.4
Bangkok	39.3	42.1	42.1	42.1
Santiago	36.9	37.3	37.3	37.3
Mexico City	37.2	38.8	38.8	38.8
Addis Ababa	81.0	77.0	77.0	77.0
Nairobi	63.1	65.4	65.4	65.4
Port-of-Spain	36.6	38.6	38.6	38.6
Amman	68.3	79.6	79.6	79.6
Gaza	78.5	78.5	78.5	78.5
UNTSO (Israel)	73.8	89.3	89.3	89.3
UNMOGIP (India)	79.8	99.6	99.6	99.6
United Nations information centres	39.6	42.2	42.2	42.2

Annex II

(Thousands of United States dollars)

	Sections	Appropriations 1994-1995	Changes at 1994-1995 prices	Recosting			ICSC	Total
				Currency	Inflation	Subtotal		
1.	Overall policy-making, direction and coordination	37 218.5	556.9	867.2	2 111.3	2 978.5	810.2	41 564.1
2.	Political affairs	62 159.7	(5 845.9)	353.4	3 948.3	4 301.7	2 387.4	63 002.9
3.	Peace-keeping operations and special missions	132 221.9	(52 124.7)	(263.9)	13 123.6	12 859.7	1 225.4	94 182.3
4.	Outer space affairs	3 956.5	94.3	458.5	243.9	702.4	151.6	4 904.8
5.	International Court of Justice	19 316.0	1 185.4	1 446.0	507.2	1 953.2	214.4	22 669.0
6.	Legal activities	31 432.5	(2 062.5)	610.7	2 051.2	2 661.9	1 144.2	33 176.1
7A.	Department for Policy Coordination and Sustainable Development	48 089.5	(7 266.9)	482.1	2 803.1	3 285.2	1 691.3	45 799.1
7B	Africa: critical economic situation, recovery and development	3 467.1	320.5	(6.8)	362.1	355.3	145.1	4 288.0
8.	Department for Economic and Social Information and Policy Analysis	46 225.9	(344.1)	63.7	3 537.6	3 601.3	2 008.2	51 491.3
9.	Department for Development Support and Management Services	25 961.4	(1 422.2)	114.5	1 884.0	1 998.5	908.6	27 446.3
10A.	United Nations Conference on Trade and Development	113 579.8	(2 986.1)	14 886.4	(1 488.4)	13 398.0	2 243.0	126 234.7
10B	International Trade Centre	20 942.3	0.0	0.0	699.7	699.7	0.0	21 642.0
11.	United Nations Environment Programme	9 688.4	(784.9)	512.4	(86.8)	425.6	307.2	9 636.3
12	United Nations Centre for Human Settlements (Habitat)	13 558.1	(426.2)	429.7	(426.1)	3.6	467.8	13 603.3
13.	Crime control	4 839.7	(391.6)	493.8	274.6	768.4	141.3	5 357.8

	Sections	Appropriations 1994-1995	Changes at 1994-1995 prices	Recosting			ICSC	Total
				Currency	Inflation	Subtotal		
14.	International drug control	14 693.9	150.1	1 658.0	1 060.1	2 718.1	456.3	18 018.6
15.	Economic Commission for Africa	71 657.6	386.9	(1 106.2)	17 538.4	16 432.2	2 602.7	91 079.4
16.	Economic and Social Commission for Asia and the Pacific	61 278.4	287.0	472.1	5 487.2	5 959.3	1 922.9	69 447.6
17.	Economic Commission for Europe	47 379.3	340.1	6 644.7	(330.9)	6 313.8	904.0	54 937.2
18.	Economic Commission for Latin America and the Caribbean	78 979.4	(1 648.9)	(2 263.2)	15 248.1	12 984.9	1 928.0	92 243.4
19.	Economic and Social Commission for Western Asia	35 213.1	545.3	0.0	2 516.5	2 516.5	1 198.7	39 473.6
20.	Regular programme of technical cooperation	44 814.7	0.0	1 581.8	3 935.8	5 517.6	0.0	50 332.3
21.	Human rights	43 708.2	3 033.9	6 352.0	537.1	6 889.1	786.9	54 418.1
22.	Office of the United Nations High Commissioner for Refugees	48 572.7	0.0	6 799.8	660.6	7 460.4	670.9	56 704.0
24.	United Nations Relief and Works Agency for Palestine Refugees in the Near East	21 350.3	0.0	(30.9)	1 416.8	1 385.9	138.3	22 874.5
24.	Department of Humanitarian Affairs	19 034.7	349.9	1 459.5	446.5	1 906.0	566.0	21 856.6
25.	Public information	131 442.6	(4 071.4)	1 240.9	11 669.0	12 909.9	2 873.1	143 154.2
26	Administration and management	903 028.7	(5 681.9)	51 610.2	41 433.3	93 043.5	13 214.1	1 003 604.4
	A. Office of the Under-Secretary-General for Administration and Management	11 630.1	918.0	0.1	943.6	943.7	459.1	13 950.9

	Sections	Appropriations 1994-1995	Changes at 1994-1995 prices	Recosting			ICSC	Total
				Currency	Inflation	Subtotal		
	B. Office of Programme Planning, Budget and Accounts	19 656.1	851.4	0.0	1 534.2	1 534.2	803.5	22 845.2
	C. Office of Human Resources Management	37 712.0	558.1	0.0	2 584.1	2 584.1	997.3	41 871.7
	D. Support services, Headquarters	217 829.1	(7 804.9)	0.0	10 885.7	10 885.7	1 042.4	221 952.3
	E. Conference services	443 184.0	2 077.2	30 185.6	19 487.2	49 672.8	9 796.1	504 730.1
	F. Administration, Geneva	120 115.0	(2 125.0)	16 402.5	845.8	17 248.3	(252.0)	134 986.3
	G. Administration, Vienna	41 810.4	312.8	4 767.2	4 099.7	8 866.9	203.4	51 193.5
	H. Administration, Nairobi	11 072.0	(469.5)	254.8	1 052.8	1 307.6	164.3	12 074.4
27.	Jointly financed administrative activities	27 221.2	(1 183.6)	2 180.0	975.9	3 155.9	717.5	29 911.0
28.	Special expenses	32 795.1	2 544.0	817.3	5 545.3	6 362.6	0.0	41 701.7
29.	Office of Internal Oversight Services	12 027.7	2 831.7	268.9	902.0	1 170.9	669.4	16 699.7
30.	Technological innovations	25 398.3	(4 660.3)	178.3	1 083.3	1 261.6	0.0	21 999.6
31.	Construction, alteration, improvement and major maintenance	58 447.1	(15 912.6)	1 772.6	2 934.2	4 706.8	0.0	47 241.3
32.	Staff assessment	357 798.1	(3 932.9)	11 794.7	12 271.8	24 066.5	8 349.3	386 281.0
33	International Seabed Authority	776.0	0.0	0.0	0.0	0.0	0.0	776.0
	Grand total	2 608 274.4	(98 120.7)	111 878.2	154 876.5	266 754.7	50 843.8	2 827 752.2